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Legislative Notice

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S. Con. Res. 86 – Concurrent Budget Resolution for Fiscal Year 1999

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Reported on March 20, 1998, as an original concurrent resolution by the Senate Budget Committee by a vote of 12 to 10. S. Rept. 105-170. Additional and minority views filed.

NOTEWORTHY

- The FY 1999 Budget Resolution adheres to all aspects — the discretionary spending caps, pay-go provisions, and the net tax cut totals — of the bipartisan agreement reached between the majority in Congress and the President on May 2, 1997, and enacted in the Balanced Budget Act of 1997 (HR 2015, P.L. 105-33) and Taxpayer Reform Act of 1997 (HR 2014, P.L. 105-34). It is the only budget proposal thus far offered that does so.
- Under this budget resolution, the federal budget deficit will be eliminated in 1998 — four years ahead of last year's projected balance in 2002. Spending and revenues are both projected to grow at 3.5 percent in FY 1999 with overall spending of \$1.730 trillion.
- The budget resolution also conforms to the President's proposal to "reserve 100 percent of the surplus, that's every penny of any surplus, until we have taken all the necessary measures to strengthen the Social Security system" — something that the President's own budget did not do.
- Transportation spending, reflecting the Senate-passed ISTEA bill, increases by an additional \$25.9 billion in contract authority and \$18.5 billion in outlays for highways. The spending is offset by mandatory savings.
- The budget resolution identifies \$30 billion in possible tax cuts but does not contain reconciliation instructions. A reserve fund is included to accommodate a tax cut.
- A reserve fund also allows potential federal tobacco revenue to aid Medicare's solvency.
- The House is not anticipated to pass its budget resolution until after the Easter recess. A budget conference report is not anticipated until mid- to late-April.

HIGHLIGHTS

See attached listing of spending totals for FY98-2002, by function, provided by the Budget Committee.

- Congress' FY 1999 budget achieves surpluses in every one of the next five years — \$8 billion, \$1 billion, \$13 billion, \$67 billion, and \$59 billion in FYs 1999, 2000, 2001, 2002, and 2003, respectively. Over the five-year period, this amounts to a \$148.6 billion surplus — an increase over CBO's most recent projection of a \$143 billion surplus for the same period.
- Federal spending increases 3.5 percent (from \$1.672 trillion to \$1.730 trillion) and revenues would also increase 3.5 percent (from \$1.680 trillion to \$1.739 trillion) from FY 1998 to FY 1999.
- Social Security is not affected by programmatic changes. In fact, the budget resolution scrupulously adheres to the President's admonition in his 1998 State of the Union address that the surplus not be spent, but reserved for Social Security reform. (See the Sense of the Senate language to this effect: Section 302.)
- A reserve fund is also established to allow the entire federal share of revenues resulting from a potential tobacco settlement to be dedicated to bolstering Medicare's solvency (Section 202).
- Sense of Congress language (Section 301) is also included supporting sunseting the tax code after December 31, 2001.
- Adjustments are included to reflect the ISTEA compromise. Funding for highways is increased by \$25.9 billion in contract authority and \$18.5 billion in outlays, and mass transit will be increased by \$5 billion in budget authority over the period of last year's agreement. This new spending will be offset by mandatory spending reductions and thus not add to overall spending totals.
- Overall discretionary spending conforms to the spending caps set last year by using mandatory savings to offset new discretionary spending.
- Discretionary spending increases are included for the National Institutes of Health (\$1.5 billion) and for teen smoking prevention (\$125 million) — these increases will occur regardless of whether a tobacco settlement is reached or not. Over the next five years, NIH spending will increase by \$15.5 billion in BA and \$11.2 billion in outlays, teen smoking prevention will increase by \$825 million in BA and \$623 million in outlays, IDEA education programs will increase by \$2.5 billion in BA and \$1.9 billion in OL, and the Child Care Block Grant will increase by \$5 billion in BA.

- The FY 1999 budget resolution provides for no reconciliation bill. It therefore contains no specific tax cut instructions; however, it does accommodate a \$30 billion tax cut within its assumptions. Identified possible tax cuts — including marriage penalty relief, child care tax credit, an extension of the R&E (Research & Experimentation) tax credit, IRS reform, and TRA technical corrections — are accommodated by a “reserve fund” provision (Section 201) that will allow a future tax cut bill to avoid procedural hurdles under the budget process.
- The FY 1999 budget resolution does not contain the Administration’s proposed mandatory spending increases.
- The budget resolution also adheres to the so-called “Annex agreement” reached between Congressional leaders and the President. According to this agreement, six budget functions were listed as priority functions: national defense; international affairs; natural resources and environment; transportation; education, training, employment and social services; and administration of justice. These are funded at levels agreed to last year.
- Over the next five years, education spending will amount to \$243 billion.

BACKGROUND

Adhering to the Historic Balanced Budget Agreement

The FY 1999 Budget Resolution fulfills four years ahead of schedule the seven-year deficit-elimination policy set forth in the first session of the 104th Congress by the new majority. The federal budget will be balanced in 1998 and remains in balance through 2003.

As Congress’ blueprint for federal spending, the budget resolution sets the binding limits on spending and revenue levels. For spending, the budget resolution allocates spending levels among committees of jurisdiction through the so-called 302(a) allocations, which are enforced by 60-vote Budget Act points of order. The budget resolution can direct the authorizing committees of jurisdiction to make changes in mandatory spending or revenues through reconciliation instructions; this generates a reconciliation bill that is considered under expedited procedures — although this is not done this year.

The FY 1999 budget resolution continues the agreement reached last year between the congressional majority and the President on May 2, 1997. It marks the fourth consecutive balanced budget resolution that the Senate will have passed.

Although an agreement was reached last year between Congress and the President — which resulted in two reconciliation bills embodying the agreement over budget and taxes being signed — agreement has not marked the other years since 1995, when a new majority assumed control of Congress.

Because the President does not sign the budget resolution, there have been in past years significant discrepancies between the budgets Congress passed and what actually was enacted into law. In 1996, the FY 1997 budget resolution provided for three reconciliation bills to be sent to the President, one by one, after he signed the preceding one. Congress only sent the first of these bills — welfare and Medicaid reform — which President Clinton vetoed. Congress was finally able to enact welfare reform when the President later signed the Personal Responsibility and Work Opportunity Act of 1996.

The FY 1996 process was even more torturous. The FY 1996 appropriations process was not completed until well into calendar year 1996 when President Clinton finally signed an omnibus appropriations bill, after having vetoed four appropriations bills and a continuing resolution the year before. The Balanced Budget Act of 1995, which incorporated the results of the FY 1996 reconciliation process, was also vetoed by President Clinton on December 6, 1995.

In fact, it took two years for the Administration simply to agree to the goal of a balanced budget in 2002 using objective CBO numbers. It was not until this year that the White House had ever submitted a budget that CBO was able to score as balanced without reservations.

Regretfully, the budget that the White House submitted this year did not adhere to last year's budget agreement: it violates the discretionary spending caps by \$68 billion, adds \$37 billion in new mandatory spending, and increases taxes and user fees (thus violating last year's net tax cut figure) by \$100 billion. Furthermore, if Congress chose to follow the Administration's lead, it would be in violation of the Budget Act in several instances, in addition to violating last year's agreement.

It still remains to be determined, therefore, whether the Administration sees last year's budget comity as merely a one-year phenomenon.

The Democrat Alternatives: More Spending, More Taxes, and Less Surpluses

The President's budget adhered to neither last year's bipartisan budget agreement nor his own stated goals. According to CBO, President Clinton's FY 1999 budget violated the discretionary spending caps, which were extended through 2002 (along with the pay-go provisions), by \$12 billion in FY 1999 and \$68 billion over the 1999-2002 period (the discretionary caps expire after 2002). By the Administration's own estimates, its budget included a net tax and user fee hike of \$100 billion. Furthermore, according to CBO, it reduced projected surpluses by \$43 billion over the period. This contradicts the President's own proposal from this year's State of the Union address that *"we reserve 100 percent of the surplus — that's every penny of any surplus — until we have taken all the necessary measures to strengthen the Social Security system..."* Overall, the Administration's budget would have increased mandatory spending by \$28 billion and total spending over the CBO baseline by \$118 billion over five years.

According to the Senate Budget Committee, compared to the Committee-passed budget resolution, the President's budget has \$125 billion more in spending, \$80 billion in additional taxes (not including user fees), and a surplus of just \$98.9 billion FY99-03 — \$50 billion less.

Senate Budget Committee Democrat members offered the President's budget with some modifications. However, their amendment (rejected 8-14) — like the President's budget — contained spending and tax increases and smaller surpluses than did the FY 1999 budget resolution. In comparison to the FY 1999 budget resolution passed in committee, the minority alternative budget contained \$82.1 billion in additional spending and \$79.9 billion in additional revenues; the surplus was \$2.2 billion less.

Additionally, in several instances, the Democrat alternative listed no or dubious offsets for new spending proposals. No offset was included for either \$10 billion of President Clinton's "Funds for America Initiatives" or the multi-billion-dollar increase in transportation spending arising from the ISTEA agreement. Assuming that the Democrats matched the budget resolution's \$25.9 billion increase for ISTEA (which contains identified offsets), these two provisions alone result in \$36 billion in un-offset spending. In response, to higher CBO estimates of their discretionary non-defense spending, Budget Committee Democrats also were forced to assume a 1 percent across-the-board reduction in all discretionary non-defense programs (excluding transportation and education).

In short, both the President's original FY 1999 budget and the version presented by Budget Committee Democrats contained more spending, more taxes, and smaller surpluses than did the committee-passed resolution. If the budget agreement of last year is to be maintained and if we are to adhere to the President's own stated proposal to reserve the surplus for a solution to Social Security financing, then the committee-passed budget resolution is the only viable alternative thus far offered.

Amendments Offered in the Budget Committee

The following amendments were offered during Committee markup. Those accepted are listed first, followed by those rejected, and then followed by those offered and withdrawn.

The following are amendments offered and accepted, either by voice vote or rollcall vote, during the Senate Budget Committee's markup of the FY 1999 Budget Resolution.

- 1) Hollings: Sense of the Senate to balance the budget without counting Social Security surpluses and to reform Social Security. [Adopted by voice vote.]
- 2) Bond: Sense of the Senate that savings in the School-to-Work program should be applied to early childhood development. [Adopted by voice vote.]
- 3) Bond: Sense of the Senate regarding taxpayer rights. [Adopted by voice vote.]
- 4) Feingold: Sense of the Senate regarding full funding for the National Guard. [Adopted by voice vote.]
- 5) Wyden *et al.*: Sense of the Senate on Medicare Payment. [Adopted by voice vote.]

- 6) Wyden: Sense of the Senate on long-term care. [Adopted by voice vote.]
- 7) Wyden: Sense of the Senate on climate change research and other funding. [Adopted by voice vote.]
- 8) Snowe *et al.*: Sense of the Senate on additional tax relief and spending increases for child care. [Adopted by voice vote.]
- 9) Snowe: Sense of the Senate that legislation should be enacted to ensure that lenders do not withdraw from the guaranteed student loan program to the detriment of students. [Adopted by voice vote.]
- 10) Durbin *et al.*: Sense of the Senate regarding deductibility of health insurance premiums for self-employed. [Adopted by voice vote.]
- 11) Grams: Sense of Congress that funds should not be provided to put into effect the Kyoto Protocol prior to its ratification. [Adopted by voice vote.]
- 12) Lautenberg: Sense of the Senate calling for a tax or other price increase of at least \$1.50 per pack of cigarettes. [Adopted 14-8.]

The following amendments were offered and rejected:

- 1) Conrad: To amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on anti-tobacco programs instead of being devoted solely to Medicare solvency. [Amendment defeated 10-12 (party-line).]
- 2) Conrad: To amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on Social Security instead of being devoted solely to Medicare solvency. [Defeated 10-12 (party-line).]
- 3) Conrad: To amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on children's health insurance programs instead of being devoted solely to Medicare solvency. [Defeated 10-12 (party-line).]
- 4) Conrad: To amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent to assist tobacco farmers instead of being devoted solely to Medicare solvency. [Defeated 9-12 (Feingold opposing).]
- 5) Conrad: To amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on a comprehensive tobacco program instead of being devoted solely to Medicare solvency. [Defeated 10-12 (party-line).]

- 6) Boxer: To amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on National Institutes of Health instead of being devoted solely to Medicare solvency. [Defeated 10-12 (party-line).]
- 7) Grams: To dedicate half of the budget surplus to debt reduction and half to tax relief instead of reserving it entirely for Social Security reform. [Defeated, 2-20 (Nickles and Grams supporting).]
- 8) Grams: Sense of the Congress on the Department of Energy budget. [Defeated by voice vote.]
- 9) Murray: To create a reserve fund to allow revenue increases for spending on a new mandatory program to reduce school class size. [Defeated 10-12 (party-line).]
- 10) Murray: To create a reserve fund to allow revenue increases for additional mandatory spending for child care. [Defeated 10-12 (party-line).]
- 11) Lautenberg: To create a reserve fund to allow revenue increases for additional mandatory spending on a new Environmental Resources Fund. [Defeated 9-13 (Hollings opposing).]
- 12) Lautenberg: Sense of the Senate that the Food and Drug Administration is fully funded and has full authority to regulate tobacco (nicotine) as a drug. [Defeated 9-13 (Hollings opposing).]
- 13) Lautenberg: Substitute amendment, offering a Democratic alternative budget. [Defeated 8-14 (Feingold and Hollings opposing).]

The following amendments were offered and withdrawn:

- 1) Johnson: To create a reserve fund for Indian School Construction.
- 2) Wyden: Regarding Defense inflation.

FLOOR PROCEDURES

Under the Budget Act of 1974, as amended, a budget resolution is a privileged piece of legislation, as outlined below. It is not subject to filibuster and debate time is limited to 50 hours, equally divided. However, this does not mean that Republicans have 25 hours for debate and the offering of amendments. As time is used on debate or amendments, remaining time is equally divided as debate proceeds. In addition, votes do not count against this time limit, nor do quorum calls just prior to votes. [For an explanation of Budget Act points of order, see *Riddick's Senate Procedure*, revised in 1992, pp. 615-618.]

- Amendments to the budget resolution must be germane; otherwise, a point of order lies against the amendment, and 60 votes are required to waive the point of order. Germane amendments are those which: **strike; increase or decrease numbers; add language which restricts some power in the resolution; or, express the sense of the Senate or Congress about matters within the Budget Committee's jurisdiction.**
- Debate on first-degree amendments is limited to two hours, one hour to proponents and one hour to opponents. Debate on second-degree amendments is limited to one hour, 30 minutes per side. All debate time on a first-degree amendment must be used or yielded back before a second-degree amendment can be offered.
- No debate is allowed on a point of order made against any amendment under the Budget Act. Instead, a motion to waive the Budget Act must be made. Debate on any motion to waive a point of order is limited to one hour equally divided.
- Amendments can be offered at any time.

POSSIBLE AMENDMENTS

Craig. Instituting a 60-vote point of order requiring new mandatory spending to be offset with mandatory spending savings.

Allard. Related to retiring the federal debt.

In addition, Minority Leader Daschle in public remarks predicted Democrats would offer a "series of amendments" on education, tobacco, and child care, mirroring efforts during the committee's markup. [See a listing of amendments offered and defeated during the markup, beginning on p. 6.]

Additional Republican amendments are anticipated but not known at press time.

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[See attachment, which lists function totals, provided by Senate Budget Committee.]

SENATE-REPORTED RESOLUTION

Function Totals

(Dollars in billions)

		1998	1999	2000	2001	2002	2003
050: National Defense.....	BA	267.7	270.5	274.3	280.8	288.6	296.8
	OT	268.1	265.5	268.0	269.7	272.1	279.8
150: International Affairs.....	BA	15.2	14.6	14.3	15.1	15.2	15.2
	OT	14.1	14.2	14.7	14.5	14.5	14.4
250: Science, Space and Technology.....	BA	18.0	18.3	17.8	17.7	17.3	17.0
	OT	17.7	17.9	17.9	17.6	17.4	17.0
270: Energy.....	BA	0.5	0.6	0.6	0.5	0.4	0.4
	OT	1.0	0.3	--	-0.2	-0.4	-0.4
300: Natural Resources and Environment...	BA	24.2	23.4	23.3	23.0	22.9	22.9
	OT	23.0	23.4	23.5	23.4	23.0	22.9
350: Agriculture.....	BA	11.8	12.0	11.6	10.3	10.2	10.4
	OT	10.8	10.5	9.9	8.7	8.5	8.8
370: Commerce and Housing Credit:							
On-budget.....	BA	7.3	4.2	15.1	15.3	15.6	14.9
	OT	0.7	3.2	10.0	11.0	11.8	11.7
Off-budget.....	BA	0.6	--	0.4	-0.6	--	--
	OT	0.6	--	0.4	-0.6	--	--
Total.....	BA	7.9	4.2	15.5	14.7	15.6	14.9
	OT	1.3	3.2	10.4	10.4	11.8	11.7
400: Transportation.....	BA	46.0	51.5	51.8	52.1	51.4	52.0
	OT	42.5	42.8	44.7	45.7	45.8	46.9
450: Community and Regional Development	BA	8.7	8.7	7.9	7.6	7.6	7.6
	OT	11.2	10.9	9.7	8.9	8.1	8.1
500: Education, Training, Employment and Social Services	BA	61.3	63.0	63.3	64.5	64.9	68.4
	OT	56.1	61.0	62.7	63.8	63.7	67.1
550: Health.....	BA	136.2	145.8	152.6	161.5	170.1	181.2
	OT	132.0	143.7	151.6	160.4	169.9	181.1
570: Medicare.....	BA	199.2	210.3	221.8	239.4	251.2	273.4
	OT	199.7	210.9	221.1	242.3	248.8	273.6
600: Income Security.....	BA	229.5	243.3	257.3	268.5	279.2	289.8
	OT	234.7	248.1	259.4	266.7	274.2	282.4
650: Social Security:							
On-budget.....	BA	12.0	12.6	13.1	12.5	14.5	15.3
	OT	12.2	12.8	13.1	12.5	14.5	15.3
Off-budget.....	BA	366.9	382.1	398.9	418.4	437.4	459.2
	OT	366.9	382.1	398.9	418.4	437.4	459.2
Total.....	BA	378.9	394.7	412.0	430.9	451.9	474.5
	OT	379.1	394.9	412.0	430.9	451.9	474.5
700: Veterans Benefits.....	BA	42.6	42.8	43.4	44.8	46.2	48.2
	OT	42.5	43.3	44.0	45.2	46.6	48.6

SENATE-REPORTED RESOLUTION

Function Totals (Dollars in billions)

		1998	1999	2000	2001	2002	2003
750: Administration of Justice.....	BA	25.1	25.8	24.5	24.5	24.7	25.0
	OT	22.5	24.6	24.9	24.8	24.3	24.2
800: General Government.....	BA	14.5	14.4	13.9	13.6	13.4	13.5
	OT	14.3	13.4	13.8	13.8	13.6	13.5
900: Net Interest:							
On-budget.....	BA	291.6	300.1	301.7	302.1	302.6	304.9
	OT	291.6	300.1	301.7	302.1	302.6	304.9
Off-budget.....	BA	-46.5	-52.8	-59.0	-65.4	-72.1	-79.4
	OT	-46.5	-52.8	-59.0	-65.4	-72.1	-79.4
Total.....	BA	245.1	247.3	242.7	236.7	230.5	225.5
	OT	245.1	247.3	242.7	236.7	230.5	225.5
920: Allowances.....	BA	--	-0.3	-1.2	-2.7	-3.8	-5.4
	OT	--	-1.9	-4.6	-3.0	-7.0	-5.0
950: Undistributed Offsetting Receipts:							
On-budget.....	BA	-36.7	-36.3	-36.0	-37.9	-45.0	-35.7
	OT	-36.7	-36.3	-36.0	-37.9	-45.0	-35.7
Off-budget.....	BA	-7.1	-7.7	-8.3	-8.9	-9.6	-10.4
	OT	-7.1	-7.7	-8.3	-8.9	-9.6	-10.4
Total.....	BA	-43.8	-44.0	-44.3	-46.8	-54.6	-46.1
	OT	-43.8	-44.0	-44.3	-46.8	-54.6	-46.1
Total Spending:							
On-budget.....	BA	1374.7	1425.3	1471.1	1513.2	1547.2	1615.8
	OT	1358.0	1408.4	1450.1	1490.0	1507.0	1579.2
Off-budget.....	BA	313.9	321.6	332.0	343.5	355.7	369.4
	OT	313.9	321.6	332.0	343.5	355.7	369.4
Total.....	BA	1688.6	1746.9	1803.1	1856.7	1902.9	1985.2
	OT	1671.9	1730.0	1782.1	1833.5	1862.7	1948.6
Revenues:							
On-budget.....		1262.4	1300.2	1325.8	1369.4	1431.9	1486.9
Off-budget.....		417.3	438.2	457.8	477.1	497.9	520.7
Total.....		1679.7	1738.4	1783.6	1846.5	1929.8	2007.6
Deficit:							
On-budget.....		-95.6	-108.2	-124.3	-120.6	-75.1	-92.3
Off-budget.....		103.4	116.6	125.8	133.6	142.2	151.3
Total.....		7.8	8.4	1.5	13.0	67.1	59.0